

Adjusted Minimum Benefit

(Also referred to as “Minimum Monthly Benefit for PERS Plan 1 and TRS Plan 1”)

What is the adjusted minimum benefit?

Legislation passed in 2004 and expanded in 2006 has established a minimum benefit level for qualifying Public Employees’ Retirement System (PERS) Plan 1 and Teacher’s Retirement System (TRS) Plan 1 retirees. The 2006 legislation also established a 3% cost of living adjustment effective July 1, 2006 and each July 1 thereafter.

*** Important note:** Effective July 1, 2006, the minimum benefit is \$1,030. Any adjustments (such as a survivor option choice, early retirement or an annuity withdrawal, etc.) made to your original benefit will reduce this amount. That is why the minimum benefit is referred to as an **adjusted** minimum benefit.

Who qualifies for the adjusted minimum benefit?

PERS Plan 1 and TRS Plan 1 retirees (and survivors of retirees) whose current gross monthly benefit is less than the adjusted minimum benefit level and who:

- A. Have at least 25 years of service credit and who have been retired at least 20 years; or who
- B. Have at least 20 years of service credit and who have been retired at least 25 years.

If your benefit was below the adjusted minimum benefit level and you met the requirements of “A” above, your benefit has already been adjusted. Your benefit will be re-evaluated using the July 1, 2006 minimum benefit of \$1,030 (\$1,000 plus the 3% increase). If your benefit is below the adjusted minimum benefit level and you meet the requirements of “B” above you will have your monthly benefit adjusted beginning in July 2006.

How is the adjusted minimum benefit determined?

We begin with a base benefit of \$1,030 (as of July 1, 2006) and then apply any adjustments made to the account (for instance, survivor options, early retirement or an annuity withdrawal) to determine the adjusted minimum benefit. That amount is then compared to your current benefit. You will receive the greater of the two benefits.

Here’s an example of how those calculations work:

Mary retired in July 1986 with 25 years of service credit and an Average Final Compensation (AFC) of \$925. She selected a 50 percent survivor benefit option. Her retirement benefit was determined as follows:

$$2\% \times \$925 \text{ AFC} \times 25 \text{ years of service credit} \times .87 \text{ (reduction factor for survivor benefit option)} = \$402.38$$

Since she retired, Mary has received COLAs totaling \$480, increasing her current benefit to \$882.38 (\$402.38 + \$480).

Mary becomes eligible for the adjusted minimum benefit in July 2006. To determine if the adjusted minimum benefit exceeds her current benefit, DRS will multiply the base benefit of \$1,030 by the reduction factor for Mary’s choice of a 50 percent survivor benefit option (.87), as follows:

$$\$1,030 \times .87 = \$896.10$$

Since her current benefit of \$882.38 is less than \$896.10, Mary’s monthly benefit will increase to \$896.10.

If I begin to receive the adjusted minimum benefit, will I always be paid this amount?

No. Once your original benefit, plus COLAs, exceeds the adjusted minimum benefit, DRS will use the original benefit formula instead of the adjusted minimum benefit. The following table illustrates Mary's monthly benefit for the next five years. In July 2010 Mary's monthly benefit is larger than the adjusted minimum benefit. She will receive her monthly benefit rather than the adjusted minimum benefit.

	Regular Benefit (including COLAs)	Adjusted Minimum Benefit	Actual Amount Paid
July 1, 2006	\$882.38 (benefit + COLAs)	\$896.10 (\$1,030 x .87)	\$896.10
July 1, 2007	\$914.63 (\$882.38 + COLA)	\$922.98 (\$1,060.90 x .87)	\$922.98
July 1, 2008	\$946.88 (\$914.63 + COLA)	\$950.67 (\$1,092.73 x .87)	\$950.67
July 1, 2009	\$979.13 (\$946.88 + COLA)	\$979.19 (\$1,125.51 x .87)	\$979.00
July 1, 2010	\$1,011.38 (\$979.13 + COLA)	\$1,008.57 (\$1,159.28 x .87)	\$1,011.38

This example assumes a COLA of \$1.29 per year of service credit.

How does it work for survivors?

Following the example used above, if Mary passed away after meeting the requirements for the adjusted minimum benefit, her survivor would continue to receive 50 percent of Mary's benefit.

The table below illustrates the monthly benefit Mary's survivor would receive over the next five years.

	Regular Benefit (including COLAs)	Adjusted Minimum Benefit	Actual Amount Paid
2006	\$441.19 (benefit + COLAs)	\$ 448.05 (\$1,030 x .87 x 50% benefit option choice)	\$448.05
2007	\$457.32 (\$441.19 + COLA)	\$461.49 (\$1,060.90 x .87 x 50% benefit option choice)	\$461.49
2008	\$473.44 (\$457.32 + COLA)	\$ 475.34 (\$1,092.73 x .87 x 50% benefit option choice)	\$475.34
2009	\$489.57 (\$473.44 + COLA)	\$489.60 (\$1,125.51 x .87 x 50% benefit option choice)	\$489.60
2010	\$505.69 (\$489.57 + COLA)	\$504.29	\$505.69

This example assumes the 2006 COLA of \$1.29 per year of service credit (for an option 3 survivor, they would receive half of the COLA), and a survivor over the age of 66.

I meet the requirements for the adjusted minimum benefit. What do I do now?

Anyone who qualifies for the benefit will begin receiving it automatically. You will receive the adjusted minimum benefit until your original benefit, plus COLAs, is greater than your adjusted minimum benefit.

When will it begin?

If your benefit is below the adjusted minimum amount and you meet the requirements listed under "A" on page 1, your benefit has either already been adjusted or will be as soon as you meet these requirements.

If your benefit is below the adjusted minimum amount and you meet the requirements listed under "B" on page 1, your benefit will be adjusted beginning in July 2006.

What if I don't meet the requirements now, but I do later?

Once you meet the requirements you will automatically receive the adjusted minimum benefit if that amount exceeds your current benefit.

If my benefit is increased to the adjusted minimum benefit level, am I eligible to receive future increases?

Yes. Each year the minimum benefit amount will increase by three percent.